

HOW HIGH INTEREST ON BACK TAXES IMPACTS ERIE COUNTY HOMEOWNERS

IN 2019
HOMEOWNERS LISTED
IN THE COUNTY IN
REM AUCTION OWED
\$7,550,404 IN BACK
TAXES AND
\$4,930,566 IN
INTEREST.*

City of Buffalo
Homeowners owed
\$760,276 in taxes and
\$722,041 in interest.

**14215 HOMEOWNERS
OWED \$304,115 IN
BACK TAXES AND
\$298,346 IN INTEREST.**

Town of Cheektowaga
homeowners owed
\$1,265,218 in taxes and
\$730,794 in interest.

***DATA BASED ON FOIL REQUEST
FROM THE ERIE COUNTY REAL
PROPERTY SERVICES
DEPARTMENT AND REPRESENTS
1-2 FAMILY UNITS THAT WERE
ON THE COUNTY'S IN REM
AUCTION LIST AS OF 5/24/2019.**

Erie County charges 18% on delinquent property taxes

There are many reasons homeowners fall behind on their property taxes. Many homeowners who pay their own taxes and don't have escrow accounts are on fixed incomes. Seniors who have paid off their mortgages, low income homeowners, homeowners of color in traditionally redlined neighborhoods who are denied access to loan products, These are all examples of homeowners who would be paying their taxes in lump sums and in danger of falling behind.

Once a homeowner falls behind, the rapid accrual of interest on back taxes makes it much harder for them to pay back what is owed. Additionally, the accrual of interest strips equity from properties and impedes the transfer of generational wealth in low to moderate income communities and communities of color. In order to preserve homeownership in these communities, it is imperative that the interest rate charged on back taxes be addressed. WNYLC supports Senate bill S6310B to reduce the statewide interest rate on past-due property taxes to 7.5% for owner occupied properties.

High Interest Impact: Homeowner stories

An 85 year old homeowner in West Seneca New York fell behind on her property taxes due to being on a fixed income and not receiving her STAR exemption. She made a partial payment of \$2000 on her 2019 taxes that left \$2180.19 owed. As of March 29th, 2021 she has accrued \$1030.19 in interest and now owes \$3210.54 for her 2019 tax bill. She has not made any payments towards her 2020 taxes that total \$4534.92 and she has already accrued an additional \$1175.16 for a total of \$5710.08. Because the homeowner fell behind on her property taxes and has been unable to get current she has lost \$2205.35 in equity due to interest in two short years. This amount will continue to rapidly increase the longer she is in default.

A homeowner in Gowanda New York fell behind on their property taxes in 2013. Below is an outline of payments due and interest accrued as of March 29, 2021:

Taxes, Interest, Total

- 2013: \$2,389.83 + \$4,192.37 = \$6,582.20
- 2014: \$6,791.05 + \$10,468.76 = \$17,259.81
- 2015: \$2,805.45 + \$3,723.37 = \$6,528.82
- 2016: \$3,029.93 + \$3,374.16 = \$6,404.09
- 2017: \$3,175.64 + \$2,858.00 = \$6,033.64
- 2018: \$3,216.22 + \$2,207.33 = \$5,423.55
- 2019: \$3,134.53 + \$1,481.48 = \$4,616.01
- 2020: \$3,303.38 + \$856.01 = \$4,159.39

Total Taxes owed: \$27,846.03

Total Interest owed: \$29,161.48

This homeowner now owes more in interest than actual taxes.

"High interest on back property taxes is the number one barrier to preventing tax foreclosures for low income New Yorkers."

Amy Gathings, Supervising
Attorney Foreclosure
Prevention Dept. WNYLC

High interest perpetuates economic instability that can lead to homelessness:

- Erie County will not negotiate payment plans with someone until they are in foreclosure...
- But, the county only forecloses on select properties each year, denying access to payment plans for thousands of homeowners...
- Meanwhile, those homeowners without a payment plan will continue to accrue interest at the 18% annual rate...
- Those negotiating installment plans are often unable to afford the payment because the interest rate has driven up the amount owed exponentially.
- We find that many homeowners are unaware of the interest rate and find out for the first time when they seek our help.
- High interest on back taxes is not an incentive for low to moderate income homeowners to pay their taxes, and instead prevents the vast majority from ever paying back the debt, eventually forcing them from their homes and perpetuating a cycle of poverty.

High Interest Impact: Homeowner stories Continued

Mrs. W. of Cheektowaga was offered a payment plan by Erie County of \$15,200 down and \$5,610 a month, which she of course cannot afford. The taxes owing are \$38,242.01 and interest of **\$53,173.64.**

Mrs. W. is a 73 year old single woman who initially fell behind when she took out a home equity loan and thought taxes were escrowed. From there her then husband became unemployed and then disabled and took two years to begin receiving disability. She then retired and is now receiving social security pension and has separated from her husband. She has tried a bankruptcy but can't afford all of the accumulated interest.

Mrs. P. of Angola was offered a payment plan by Erie County of \$5,100 down and \$1,900 a month and cannot afford that. She owns the property with her sister and her sister had been living in the house and primarily responsible and Mrs. P. didn't even realize how behind the taxes are. She wants to help her sister keep the property but neither can afford that payment. \$37,986.06 are owing and **\$23,498.62** interest. Mrs. P. considered a Chapter 13 but can't afford the payments for that with the interest either.

From 1980-1984, when most of the interest rates on back taxes in New York State were established, the prime interest rate ranged between 10.05% and 20.39%

In the early 1980s, an interest rate of 12% - 18% fit within the range of prime.

In contrast, today's prime interest rate is 3.25%

In some circumstances charging someone over 16% would be considered usurious and against New York State Law and yet Counties and Municipalities are permitted to charge these harmful rates.

